

Organizational Structure

EXECUTIVE DIRECTOR

Kevin Mullally, Executive Director

The Executive Director is the Missouri Gaming Commission's chief operations officer. The Executive Director is responsible for the overall functions and policy of the staff. The Executive Director also serves as the primary liaison between the Commissioners and the staff.

ENFORCEMENT

Steve Johnson, Chief Deputy Director

The enforcement section continues to function as the operational hub of the Commission. While our emphasis remains on the integrity of gaming, the protection of assets and the safety of patrons and staff, we are involved in a host of related operational activities. These activities include, but are not limited to, complaint investigation and resolution, charitable gaming, policy development, coordination of the industry discipline system, new construction oversight, games evaluation and approval, performance auditing, electronic reporting systems approval, promotions approval, and licensing of both entities and individuals who are associated with gaming in Missouri.

Previous reports have made reference to the continuing evolution in the electronic gaming industry. Missouri casinos, like their counterparts in other jurisdictions, endeavor to increase or maintain an edge on their competition and increase their respective market share. Since electronic gaming devices (slot machines) are responsible for approximately 88 % of gaming revenue, it is only natural that casinos look to slot merchandising and slot machine and system technology to provide that competitive edge. Slot technology provides both excitement and appeal. Slot machines, which were once rather unsophisticated, are giving way to more exciting and interactive coinless platforms replete with multi-lines, multi-games, computer graphics, plasma monitors, ergonomic design and stereo sound. Once controlled by a relatively simple computer chip, gaming devices are now controlled by flash cards, CD-ROMS, DVD's, rewriteable hard drives or a combination of these technologies. Casinos with aging slot machines and coin technology see their patron base declining while those that invest in new technologies find their bases and play expanding. Gone are the days when a patron would drop one coin, pull the handle and play one line on three spinning reels. Today, patrons can play 800 coins or more on 15 lines and then have bonus rounds in which to play! More than 75% of the 17,000+ electronic gaming devices offered for play in Missouri casinos accommodate ticket-in/ticket out (TITO), a technology embraced by both the casinos and the patrons. TITO is the tip of the iceberg in terms of technology. Available to the industry are such things as electronic promotional coupons, electronic promotional downloads, electronic bonusing and the electronic transfer of funds (money).



The intricacies of the new platforms and technologies require that both industry and regulatory personnel have a far greater knowledge base than was needed for earlier platforms. To this end, we are adding additional electronic gaming device technical staff in an attempt to meet this complex regulatory demand. The integrity of gaming demands this additional staffing. In FY 2004, more than 10,700 hours of Commission personnel time was required in overtime projects to accomplish approval and oversight of gaming device/system technology upgrades in Missouri casinos. These are hours beyond those spent performing routine gaming device inspections and certifications. We can only expect the time demands to increase as new technologies emerge and are approved for the casinos.

Enforcement staff, working with other sections within the Commission, continues to make progress on the rewrite of existing Minimum Internal Controls. We have coordinated these efforts with industry to ensure applicability and reasonableness as well as meeting our regulatory goals. This rapidly evolving industry demands a consistent and focused regulatory response for the reasons enumerated above and we remain committed to meeting these demands. We continue to enjoy an excellent working relationship with the Missouri State Highway Patrol and are pleased they have increased our staffing levels to the point that we are currently considering assigning select officers/agents to full time criminal investigation responsibilities on each side of the state. While criminally related activity remains relatively consistent with previous years' activity, the emphasis is shifting more toward identity theft and fraudulent ID related issues within the casinos. Response to this type of activity requires dedicated officer/agent investigatory effort, best achieved by individuals who are not saddled with routine enforcement responsibilities in addition to their investigative responsibility.

Once again, I deeply appreciate the commitment and energy level of the individuals assigned to the enforcement unit. The challenges are many, the playing field constantly shifting and the expectations increasing. Their loyalty to the Commission, resolve and positive attitude are providing an exemplary level of service to our citizens who expect no less.

Audit - Each casino in Missouri has an internal audit staff. Commission performance audit staff reviews these internal audits and conducts their own independent audits to determine levels of compliance with statutes, regulations and internal controls. Audit staff recommends corrective action, interprets policy on audit-related issues and works closely with officers/agents to facilitate enforcement in the casinos. Each casino also employs a host of external auditors who review casino operations and systems to ensure compliance with the myriad of regulations relative to this industry. The Commission reviews these audits with an emphasis on detecting irregularities that require corrective action. Our auditors comply with the Standards for the Professional Practice of Internal Auditing and Government Audit Standards. Our approach to these significant responsibilities is changing to accommodate the rapid evolution of this industry. We are currently adjusting our priorities related to these responsibilities. We are moving to a more focused approach and a shorter response time to the industry. During FY 2004, the audit staff prepared 24 audit reports reflecting the results of audits of various casino operations.

Licensing - The licensing staff coordinates and implements the licensing of excursion gambling boats (Class A), issuance of Class A liquor licenses, licensing of suppliers of gambling games and administers License 2001, a statewide licensing program, which contains information on 11,139 active Key/Level I, Level II and service technician occupational licensees. License 2001 provides the Commission a vehicle to license and track all occupational licenses, as well as generate a monthly invoice for fees associated with applications, licenses issued, duplicate licenses and renewals for Level I, Level II and service technician occupational licenses. Occupational gaming licenses issued statewide for FY 2004 totaled over 3,400 and renewals totaled approximately 8,200.

In March, revised occupational licensing application guidelines were implemented to simplify and streamline the licensing process for occupational licenses which granted licensing investigators the power to directly deny an application in certain circumstances for a Level II occupational license.

A requirements review of License 2001 was completed in an effort to develop a more modernized licensing system whereby all licensing components (occupational, Class A and supplier) are integrated into one central warehouse. Recommendations are under consideration to outsource for licensing software from a company solely dedicated to the development of government licensing programs and customized to our needs to provide consistency, reliability and increased efficiency for the State of Missouri. Projected increase in occupational licensees in the next two years could range from 1,000 to 3,000.

FY 2004 delivered four new Class A applications, all relating to the proposed St. Louis expansion: Harrah's St. Louis County Development Project; Isle of Capri – City of St. Louis; Casino One Corporation-City and Casino One Corporation-County (Pinnacle), as well as five Supplier applications (Paltronics, NRT Technology, R. Franco USA, U.S. Playing Card Company and Konami Gaming).

A review of Chapter 4- Licensing, Code of State Regulations, is continuing in our effort to provide detailed clarification regarding requirements for Class A, supplier and occupational licensure.

Training – The new technologies, strategies and shifting enforcement priorities mentioned above have kept our training staff extremely busy. We maintain a fully equipped mini-casino, replete with surveillance and the latest in electronic gaming devices for our students to utilize. This facility permits hands-on training so necessary to our staff prior to them going on the casino “floors”. Our training coordinator, Mr. Chris Baker, has delivered extensive training to the industry, as well as our own staff, in matters related to identity theft and fraudulent ID use. Mr. Baker has coordinated the training of all boat agents, audit personnel and other agents of the Commission on a wide variety of subjects related to this industry. In FY 2004, we conducted a total of 16 training sessions involving 323 students. This training resulted in a total of 2,303 student hours being expended in the classroom

and mini-casino. Our priorities during FY 2005 will revolve around the continuing evolution and sophistication of the business we regulate.

Pari-Mutuel Horse Racing – Pari-Mutuel Horse Racing was established in the State of Missouri with the enactment of Senate Bill 572 in 1986. This allowed for wagering on the outcome of horse races in which those who wager purchase tickets of various denominations on a horse or horses in one or more races. To this date no track has been established in the state. The Gaming Commission was assigned the responsibility for governing pari-mutuel horse racing from the Missouri Horse Racing Commission in 1997.

Missouri State Highway Patrol – The Gaming Division of the Highway Patrol, pursuant to a memorandum of understanding with the Gaming Commission, provides criminal and regulatory enforcement of gaming operations within the state. Under the command of Captain Robert Bloomberg, the division is divided into four sections: Eastern District Enforcement, Western District Enforcement, Background Investigations and Administrative Services. The enforcement districts are responsible for enforcing Missouri statutes and Commission regulations on licensed casino properties. The background unit conducts investigations of individuals, companies and suppliers applying for licensure with the Commission, as well as persons applying for employment with the Gaming Commission. The background unit has a section that is responsible for enforcement related to charitable games in Missouri. The administrative services section oversees the collection and preservation of evidence and property, division training, criminal records and case management and special projects performed by the Gaming Division.

Charges listed in the chart on the following page were filed as a result of arrests made by troopers assigned to the Gaming Division from July 1, 2003 through June 30, 2004.

TYPE OF CHARGE	NUMBER	TYPE OF CHARGE	NUMBER
Assault	23	Obstruction of Judicial Process	535
Burglary	2	Obstructing Police	20
Violation of Dept. of Conservation Laws	2	Peace Disturbance	5
Damaged Property	38	Robbery	5
Dangerous Drugs	55	Sex Offenses	1
Family Offense	6	Sexual Assault	2
Flight/Escape	8	Stealing	102
Forgery	70	Stolen Property	21
Fraud	76	Tax Revenue	2
Violation of Gambling Laws	211	Weapons	1
Kidnapping	2		
Misc. Fed. Charges	4		
Motor Vehicle	53	Total Charges	* 1,244

*These totals reflect the number of charges filed by agents of the Commission. The number of individuals arrested will be lower as some individuals may have multiple charges filed as a result of an individual incident. These totals also include arrests made attendant to outstanding warrants for criminal activity that did not occur on property of excursion gambling boats.



ADMINISTRATION

Deborah A. Ferguson, Deputy Director

The administration section of the Commission is responsible for managing all fiscal, personnel and record keeping resources of the agency. In addition, the administration section provides support services to 119 Commission employees and, pursuant to a memorandum of understanding, to 110 Highway Patrol officers assigned to the Commission. This section oversees budget development, revenue collection, accounts payable, accounts receivable, cost accounting, procurement, facilities management, support services, human resources, asset inventory and records management. Administration has worked extremely hard during FY 2004 implementing new processes and procedures to enhance the capabilities of the section.

The Commission spent a great deal of FY 2004 focusing on the second and final phases of the Uniform Classification and Pay (UCP) Plan administered by O.A. Division of Personnel under the State Personnel Law (Chapter 36, RSMo). In the second phase each employee was required to complete a Position Description Form (PDF). Upon completion, the PDFs were reviewed by supervisory and management personnel. All Commission reviewed PDFs were then forwarded to O.A. Division of Personnel for its review and classification. In the final phase, Division of Personnel conducted “on-

site” audits with selected employees to review job duties and forwarded its classification recommendations to the Commission. In December 2003 all Commission employee job classifications were converted to the UCP Plan, with the exception of two.

The Human Resource Section is currently evaluating the use and effectiveness of a variety of national, local and electronic advertisement media as future marketing resources. The overall objective is to reduce the cost associated with recruitment when attracting and identifying qualified applicants and to enhance the quality of service provided. Human Resources, in conjunction with IT staff, designed and implemented a new recruitment database for processing applications and performing statistical analysis.

Administration has worked with IT in FY 2004 to develop a new Commission personnel database, currently in its testing phase. We are hopeful it will become operational in FY 2005. This database will allow for a more efficient processing of Commission employees, including badge creation, and gives us the ability to gather much needed employee statistical information as well. This database will link with the recruitment database to transfer information once an employee is selected.

The Commission’s new Employee Orientation Program was designed and implemented in 2004, and has been a huge success. The goal of the program is to share information about the Commission and senior staff, brief employees on benefits and policies, familiarize employees with its computer software and network, and to streamline the assignment of inventory.

The Commission currently has two off-site offices in the St. Louis and Kansas City areas. The Office Manager in St. Louis is responsible for coordinating the daily operations of the office. In 2004, a full-time office manager was added to the Kansas City facility as well. This position was added due to the increase in personnel, which consists of auditors, investigators and Missouri Highway Patrol officers. As a base of operation, this office has been made more efficient in providing assistance to assigned personnel and the general public.

The administration section has had another very successful year and continues to strive in creating and developing more effective and efficient ways of providing quality service.

The data on the following page shows the proceeds, including interest earned, from riverboat gaming and charitable bingo for education and veterans.

PROCEEDS TO EDUCATION		
	Riverboat Gaming	Bingo
FISCAL YEAR 1995 THRU 06/30/1995	\$56,616,282.04	\$6,253,703.96
FISCAL YEAR 1996 THRU 06/30/1996	\$99,730,320.67	\$4,684,178.52
FISCAL YEAR 1997 THRU 06/30/1997	\$118,419,389.02	\$4,615,579.50
FISCAL YEAR 1998 THRU 06/30/1998	\$144,490,378.94	\$4,384,174.86
FISCAL YEAR 1999 THRU 06/30/1999	\$161,287,348.65	\$4,412,395.16
FISCAL YEAR 2000 THRU 06/30/2000	\$178,884,081.17	\$4,304,256.18
FISCAL YEAR 2001 THRU 06/30/2001	\$188,341,342.95	\$3,912,466.82
FISCAL YEAR 2002 THRU 06/30/2002	\$217,678,332.97	\$3,414,691.13
FISCAL YEAR 2003 THRU 06/30/2003	\$234,505,836.07	\$3,352,993.61
FISCAL YEAR 2004 THRU 06/30/2004	\$251,773,517.72	\$2,996,584.14
TOTAL	\$1,651,726,830.20	\$42,331,023.88
PROCEEDS TO VETERANS		
		Bingo
FISCAL YEAR 1996 THRU 06/30/1996		\$273,775.68
FISCAL YEAR 1997 THRU 06/30/1997		\$47,800.63
TOTAL		\$321,576.31
TOTAL OF ALL PROCEEDS		\$1,694,379,430.39

The Missouri Gaming Commission follows Section 313.835, RSMo, for operating fund transfers. It states: "All revenue received by the Commission from license fees, penalties, administrative fees, reimbursement by any excursion gambling boat operators for services provided by the Commission and admission fees authorized pursuant to the provision of Section 313.800 to 313.850, except that portion of the admission fee, not to exceed one cent, that may be appropriated to the compulsive gamblers fund as provided in section 313.820, shall be deposited in the state treasury to the credit of the 'Gaming Commission Fund' which is hereby created for the sole purpose of funding the administrative costs of the Commission, subject to appropriation."

The statute also provides that the remaining net proceeds in the Gaming Commission Fund for each fiscal year are distributed to various funds in amounts defined in the statute. Additionally, the first five hundred thousand dollars shall be appropriated on a per capita basis to cities and counties that match the state portion and have demonstrated a need for community assistance. As a result, the amounts on the following page have been transferred since inception to the Gaming Commission Fund.

Missouri Gaming Commission Summary of Fund Transfers from Gaming Commission Fund						
Fiscal Year of Transfer	Veterans Commission Capital Improvement Trust Fund	Missouri National Guard Trust Fund	Mo College Guarantee Fund	Early Childhood Development, Education and Care Fund	Compulsive Gamblers Fund	Totals
FY 1994/1995	\$8,408,536.13					\$8,408,536.13
FY 1996	\$23,487,182.59					\$23,487,182.59
FY 1997	\$30,388,830.54					\$30,388,830.54
FY 1998	\$35,905,493.46					\$35,905,493.46
FY 1999	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$30,237,763.51		\$40,737,763.51
FY 2000	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$34,217,803.75		\$44,717,803.75
FY2001	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$30,691,290.20	\$46,612.00	\$41,237,902.20
FY2002	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$31,266,433.92	\$398,074.00	\$42,164,507.92
FY2003	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$33,947,613.45	\$489,850.00	\$44,937,463.45
FY2004	\$6,000,000.00	\$4,000,000.00	\$5,000,000.00	\$30,320,589.96	\$489,850.00	\$45,810,439.96
Totals	\$119,190,042.72	\$19,000,000.00	\$27,500,000.00	\$190,681,494.79	\$1,424,386.00	\$357,795,923.51

Effective August 28, 2003, the 92nd Missouri General Assembly, at its First Regular Session, passed House Bill 444 changing the distribution of net proceeds in the Gaming Commission Fund each year. Under the provisions of this bill, the total distribution for each fund will be as follows: \$6 million to the Veterans' Commission Capital Improvement Trust Fund; \$5 million to the Missouri College Guarantee Fund; \$4 million to the Missouri National Guard Trust Fund; and the remaining net proceeds to the Early Childhood Development, Education and Care Fund.

INFORMATION TECHNOLOGY

Ray Pope, Director

The IT Section has three basic functions: the installation and support of the microcomputer infrastructure, the development and implementation of process support applications and the training of all of the Commission employees in the efficient use of the computer systems available. As we stated last year, we intended to complete some systems and put in place the necessary practices to continue developing new applications and maintain and enhance the in-place systems. We also undertook to improve the staff efficiencies through better application of the computer technology currently in place.

During this year, we have defined a development process that includes the users in each step of the process. The steps are: requirements gathering, design documentation, coding, testing, user training, user documentation and deployment. Over the past year, we have completed the requirements gathering for 17 systems, created design documents for 14 systems and deployed six new or revised systems. We currently have five systems in coding and five in testing.

The website has been routinely utilized for publishing Commission press releases, agendas and min-

utes of Commission meetings, as well as job postings. We have also added a link that allows us to add these items to the state website at the same time. We have also undertaken to redesign the website to make it more useful to the people we serve.

We have implemented a network environment intended to improve production stability. The environment is comprised of a development, testing and production domain. Only the network administrator has access to all three domains so no one can accidentally make changes to the wrong system. I would like to note that between the rewrite of the Disassociated Persons List and the isolation of the production environment, the issues with data reliability have been eliminated.

We began upgrading computers by replacing approximately 33% of them. In July 2003, we converted 195 Commission users from the state email server to an in-house email server. This improved reliability and general access to our email. We also worked with the MSHP to setup shared email address directories between the Gaming Division and other Patrol Divisions.

Training has been very active serving as the primary internal tester and developing the user documentation for new systems. This also helps prepare for the training of users on the application of new systems. We conducted user application training to 68 employees and 61 Windows classes, training 348 participants.

LEGAL

Michael Bushmann, General Counsel



The legal section provides legal advice to the Commissioners, Executive Director and other Commission staff regarding riverboat and charitable gaming issues, including review of financial transactions, interpretation of laws and regulations and analysis of policy proposals. The section assists the Commission in its quest to ensure that riverboats, bingo organizations, suppliers and individual licensees abide by all laws and rules of the Commission. In particular, Commission lawyers are responsible for drafting proposed disciplines against licensees for violations of laws or rules and presenting those disciplines to the Commission. The legal staff also serves as a liaison with the Attorney General's office regarding discipline appeals and related matters.

In FY 2004, 11 disciplines were proposed against Class A excursion gambling boat licensees. Four of those disciplines have appeals currently pending. The disciplines proposed fines ranging from \$5,000 to \$120,000 for violations such as admissions and ticketing violations, failure to remove revoked software from slot machines, refusing to allow patrons to play card games and failure to promptly report criminal activity to the Commission.

Level I licensees hold gaming licenses for key managerial positions within a riverboat gaming operation, such as the general manager, controller and department managers. In FY 2004, three Level I licensees had their license suspended or revoked, of which two are pending an appeal.

Level II licensees hold gaming licenses for occupational positions such as dealers, slot machine

technicians and cocktail servers, to name a few. In FY 2004, disciplines were proposed against 236 Level II licensees. Of the disciplinary actions proposed against Level II licensees, 45 were license revocations, 125 were license suspensions, four were reprimands and 62 were denials of permanent licensure.

Disciplines imposed in the bingo section have ranged from written reprimands to license suspensions, and in a few rare cases, license revocation. In the past year, disciplinary action was initiated against five bingo organizations licensed in Missouri, all of which are still pending.

CORPORATE SECURITIES AND FINANCE

Jim Oberkirsch, Chief Financial Analyst

The primary functions of the corporate securities and finance section are financial reporting, gaming market analysis, financial suitability analysis and tax collection.

The Commission provides a monthly market statistics report on its website.¹ The report provides data on adjusted gross receipts (gaming revenue), patron volume, admission counts and the amounts of the gaming tax and admission fees collected.

The corporate securities and finance section is responsible for analysis of the gaming markets in Missouri for the purpose of providing senior staff with information they need to make decisions regarding expansion, rule changes and regulatory resolutions. Regarding expansion, the goal is to determine the timing, number and placement of additional casinos. The Commission's charge is to issue licenses to applicants that best serve the interests of the citizens of Missouri. In order to fulfill this responsibility, the Commission evaluates many factors, including whether new gaming capacity can be added to the market without unduly impacting previously licensed facilities. The Commission, in evaluating proposals for additional licenses, focuses on creating incremental growth, expansion of tax revenues, ancillary economic development and employment. Furthermore, it carefully scrutinizes the level of community support and the ability of the developer to minimize the negative social and economic impact of the facility. Thus, Missourians can expect the Commission to deal with expansion issues in a cautious and prudent manner that includes a lengthy public process. However, should a facility become substandard, fall into disrepair or otherwise become non-competitive, the Commission would be forced to consider new projects in that market of better quality that meet the high standards it sets for licensees.

The section also examines business transactions of the licensee's parent company, including the issuance of debt or equity, acquisitions, mergers and others. This analysis is done to determine whether the financial suitability of the gaming entity will be impaired due to the transaction and whether any regulatory action is necessary.

Another function of the corporate securities and finance section is the collection of the gaming tax and admission fees assessed upon casino licensees by statute. The critical role of the tax auditors is to audit approximately 4,380 tax returns for accuracy and completeness. They also perform on-site tax audits in order to reconcile supporting documentation to the tax returns.

¹ www.mgc.dps.mo.gov/finan_map.html

**MISSOURI
GAMING COMMISSION**

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